

Engel-Klitgaard Interview

Eduardo Engel interviewed Robert Klitgaard for the premier Chilean weekly newspaper, *Qué Pasa*, for publication on May 27, 2016. This is the full transcript of the edited version that appeared in Spanish.¹

Prof. Engel chaired Chile's non-partisan Presidential Anticorruption Commission, launched in 2015 by President Michelle Bachelet. He is the head of the think tank Espacio Público and a professor of economics at the University of Chile.

EE: Reading your latest piece on corruption², it is noteworthy that before defining corruption you give many real-world examples. [I will mention them in the introduction to the interview.] Nonetheless, we should agree on a definition. So, I suggest we take the one you use in the above-mentioned piece: "Corruption is the misuse of office for unofficial ends." This means that corrupt acts necessarily involve a public servant, illegal activities involving only private-sector individuals are not corrupt, by definition. Correct?

RK: Not at all. "Office" refers to a position of trust and responsibility granted to someone with the understanding he or she will serve the purposes of the organization. When someone uses that office for illicit personal ends, that is corruption—and it occurs in companies, civil society organizations, sports teams, the press, and universities, not only in government.

EE: It is often argued that corruption is necessary to "get things done", that is, to "grease the wheels of growth". There's a quote from Samuel Huntington along those lines saying "In terms of economic growth the only thing worse than a society with a rigid, over-centralized, dishonest bureaucracy is one with a rigid, over-centralized, honest bureaucracy" Do you agree with this view?

RK: Once I asked Prof. Huntington about that quote, which I used in my book *Controlling Corruption*. He said something like this, "In very bad situations, corruption can be better than no corruption—say, in a prison camp. But corruption is usually bad."

EE: Some argue that corruption is a cultural phenomenon. Some cultures are prone to corruption, others are not. What's your view on the cultural determinants on corruption?

RK: It is true that around the world, some "cultural variables" are associated with more corruption. For example, the strength of family ties turns out to be associated

¹ <http://www.quepasa.cl/articulo/negocios/2016/05/la-corrupcion-puede-ser-reducida.shtml/>

² *Addressing Corruption Together*. Paris: OECD, 2015.

with corruption. Another example: the World Values Survey reduces its many questions about values and beliefs into two “cultural dimensions.” One dimension moves from tradition to reason. The other moves from survival mode to individual expressiveness. More tradition, more survival mode: these two dimensions alone turn out to explain 61 percent of the variance in the 2014 Corruption Perceptions Index.

For another example, the higher a country scores on individualism, the better its score tends to be on the Corruption Perceptions index, though the correlation isn’t perfect ($r=0.64$). As one expert recently said, “The in-group favoritism inherent to collectivist societies is likely to engender corruption, nepotism, and clientelism in the public sphere. In individualist societies, the relative weakness of in-group pressures and an emphasis on personal achievement and worth will contribute towards a more meritocratic and efficient public sector.”

The countries in Latin America with the best anti-corruption records are also those with the least ethnic diversity and the highest percentages of Europeans (Chile, Uruguay, Costa Rica).

But culture is not destiny! The relevant question is, whether we are Chile or Chad or Chicago, what can we collectively do to resist the human tendency to take advantage of official power for personal gain? There are many examples of countries with strong family ties, collectivist cultures, and ethnic diversity making progress against corruption. We might begin with Singapore, which went from a morass of systemic corruption to one of the least corrupt, best-governed countries in the world.

EE: Others stress that ethical education leading to cultural change is the main strategy to fight corruption. What do you think of this argument?

RK: I don’t know of any examples, at least in the short run, where “ethical education” or codes of conduct or attempts by government to change “culture” have worked.

EE: In Spanish there’s a saying “hecha la ley, hecha la trampa” which can be translated as “pass a law and people will find a trick to avoid it.” This leads some to be very skeptical about passing new laws to address corruption problems. “It’s a matter of enforcing existing laws,” they argue. What’s your view on this “legal skepticism”?

RK: In most cases, new laws and codes of conduct are not the keys to improvement. In fact, many of the world’s most corrupt countries have exemplary laws about procurement, laudable declarations of “I will never,” and of course eloquent speeches against corruption by politicians.

EE: If ethical education and new legislation usually are not the keys to improvement, what is?

RK: The success stories of reducing corruption are consistent with economic principles. After all, corruption is an economic crime, not a crime of passion. Givers

and takers of bribes are calculating risks and rewards. They respond to economic incentives and punishments.

Corruption follows a formula: $C = M + D - A$. Corruption equals monopoly plus discretion minus accountability.

Therefore, to reduce corruption, limit monopoly and enhance competition. Circumscribe official discretion, and clarify the rules of the game. Enhance accountability about processes and results in many ways, including citizen- and business-driven scorecards for government agencies and programs. The success stories show many, locally tailored ways to do these things.

Many countries are stuck in a political tragedy of the commons. Corrupt systems require people to act as if they thought bribery were good, extortion were permitted, and cheating were the norm. Once corrupt behavior is embedded, an individual may have little choice but to go along.

When we encounter a corrupt equilibrium, it is wrong and ineffective to decry the culture of those stuck in that equilibrium. Wrong, because their individual ethics may be superior to our own; their culture in that sense is not necessarily what needs changing. Ineffective, because the structure of payoffs makes “pay the bribe” the dominant strategy. We need to change structures, not cultures.

The success stories feature many ways to disrupt corrupt equilibriums. Fry some big fish—meaning some big offenders—including some from the party in power. Diagnose corrupt systems with the help of the people involved in them. Don’t try to do everything at once: focus on a few things that will bear fruit in six months, to show skeptical people that change has begun. Don’t think of corruption primarily as a legal or moral issue. In very corrupt countries, new laws, codes of conduct, and better training for public officials prove, alas, to make little difference. Invite the private sector and civil society in the design, implementation, and monitoring of anti-corruption programs.

EE: Is corruption always illegal or is there such a thing as legal corruption?

RK: Some people escalate the concept of corruption, and it becomes “original sin” or “power corrupts” or “the market is always corrupt.” If we restrict the concept of corruption to bribery and extortion, which are in every country illegal, then your question is moot. When we get rhapsodic about corruption—“Man, what can one do? Corruption has always existed, throughout history and in every country”—then we can go astray. If we substitute “illness” for “corruption” in the previous sentence, immediately we see how erroneous is the conclusion that we cannot and should not do better.

EE: Corruption is often viewed as a problem in poor or middle-income countries, not a major issue in developed countries. Is corruption a problem in developed countries? And being more specific, what about corruption in the United States?

RK: Every country has corruption, every country has disease. The question is not who has more or less, but what can we do about the problems we have here? Imagine two surgeons doing a heart transplant. “Hey, partner, do we have more heart disease in Chile than in Argentina? If so, why? If not, why not?” Instead, let’s fix the problems we face. And here there is good news: experience around the world teaches that we can reduce, though never eliminate, corruption.

EE: Your first (and very influential) book on corruption was published nearly 30 years ago. What are the main changes in the main corrupt practices since then?

RK: Thank you. Over the last 30 years, information technology and globalization have expanded. Both are good, on balance. But both enable new forms of corruption, or evading anti-corruption. Certain kinds of fraud are easier. Hiding assets is easier. Sophisticated organized crime is easier—it not the same thing as corruption, but shall we say, its bedfellow?

EE: A lot has happened over the last two decades regarding measuring corruption. We’ve gone from mainly anecdotal evidence to a series of indices that are calculated regularly for a large number of countries, by institutions such as Transparency International, the World Bank and others. In principle, these indices allow an evaluation of the degree of success or failure of anticorruption initiatives. Yet these indices are based mainly on perceptions, not on hard data. To what an extent are these indices really useful when designing and evaluating anticorruption policies?

RK: Two points need separating. How valid are the perceptions? Are they useful in policy analysis? On the former, it turns out that a variety of measures of good government, rule of law, and anti-corruption are closely related statistically. They are measuring something, and that something turns out to be affected by good anti-corruption policies and to predict better development outcomes. That’s a statistical statement, not a political one.

On the latter, like any other indicators, national-level measures need to be supplemented. Think of GDP. For Chile, it is interesting to note the level and changes in GDP. But for policymaking you need to know much more: regional data, data adjusted for the locality’s human and physical capital, the distribution of GDP, and more.

So it is also for measures of corruption and good governance. In practice, we should use lots of disaggregated measures, often designed in consultation with local citizens and businesses. We should statistically adjust for local conditions. And we should track changes, and try to connect them with changes in policies.

EE: As a complement to the previous question, a lot has happened as well over the last three decades regarding strategies to fight corruption. What have we learned that we did not know 30 years ago?

RK: The big news is that many examples at the national, ministerial, and local levels show that corruption can be reduced, with powerful results in terms of poverty,

delivery of services, investment, and growth. Look at the Philippines under Benigno Aquino III, since 2010. From the Philippines being called “the cripple of Asia” to its current position as the most improved since 2010 in the Global Competitiveness Index and the fourth fastest growing country in the world. Aquino’s campaign slogan was, “Where there’s no corruption, there’s no poverty.” And then he did it.

EE: Tell me more about the Philippines success story.

RK: President Aquino’s intrepid anti-corruption campaign included identifying and punishing major offenders, forging new partnerships with business and civil society, using citizen scorecards to gauge the performance of government agencies, implementing radical reforms in bottom-up budgeting and evaluation, improving pay and incentives for performance, enhancing co-ordination across key government agencies, and more.

EE: Are there countries where the private sector is the main driver of the anticorruption agenda? If so, a couple of examples would be very appreciated as would some insights about why the private sector took the initiative in fighting corruption.

RK: In the Philippines, a private-sector group called Institute for Solidarity in Asia modified a well-known business tool called “the Balanced Scorecard” for the public sector. ISA began with seven reform-minded cities, in a country of 100 million people. ISA helped their leaders work with business and citizens groups to define a vision, measurable indicators, and partnerships to move things forward. These customized, locally determined initiatives succeeded. Investment up, citizens happier, elections won. And as a result the practices spread, till Aquino made this innovation one of his national initiatives.

Here’s a key point to remember: in the long run, the private sector as a whole benefits from less corruption, even though in the short run each company has an incentive to pay the bribe. It’s a classic case of seeking a better equilibrium through collective action.

EE: Among middle-income countries, which would be, in your opinion, examples of major success stories in reducing corruption over the last three decades?

RK: Colombia after 1998: from the sixth percentile on the Corruption Perceptions Index in that year when Pres. Andrés Pastrana took power, to the 66th percentile in 2005.

The Republic of Georgia after 2003: from the 115th position on the Ease of Doing Business index in 2004 to the 11th position five year later, including a four-fold increase in private investment.

The Philippines, as noted.

EE: Two of the success stories you mention have the name a new president closely associated with them. Benigno Aquino in Philippines, Andrés Pastrana in Colombia. This begs the question of what triggers successful anticorruption reforms. Is it a

matter of leadership only? Are there other conditions that make such an agenda more likely?

RK: Over the past 30 years, many countries across the globe have moved from dictatorship to democracy, from controlled economies to open ones – reducing the power of leaders. Similar forces, from rising trade and investment to growing middle- and professional classes to the information revolution, are driving opposition to corruption. Around the world citizens are showing their outrage over corruption in the way they vote and the way they demonstrate. As a result, fighting corruption has become a political priority. Anti-corruption is good politics.

But the usual anti-corruption strategies, as you well know, Eduardo, are incomplete. They have often been unwilling (or unable) to address high-level corruption, preferring instead to focus on, for example, capacity building and legal reforms.

Political leadership is surely important. In my experience, political will is endogenous, meaning it's not just a given or something that appears from the sky. Political will grows when politicians see that anti-corruption measures do not have to involve political suicide. That such measures can improve their popularity by improving public services and stimulating investment. That reforms can help them win elections. One way for leaders to see this is not through another lecture, but having a look at real examples of success from around the world, and then convening leaders in a process that can catalyze their local knowledge and problem-solving creativity.

EE: How did you get interested in corruption?

RK: After receiving my Ph.D., I went to Pakistan to experience a very poor country—at that time, under USD 300 per capita. I was surprised to hear everyone there talking about corruption. In my studies I thought I had learned that corruption is *la grasa de la economía y la goma de la política* [the grease of the economy and the glue of politics]. When I returned to Harvard as a professor, I began studying both examples of success in reducing corruption, such as Singapore and Hong Kong, and the theory of corruption, based on microeconomics.

I discovered that the success stories and the theory fit together—and that conveying both might turn out to stimulate others to design their own anti-corruption strategies. Since then, I've experienced lots of failures, from South Sudan to Equatorial Guinea to Nicaragua. But I've also been blessed to play a small part in progress against corruption in cities, ministries, and countries around the world.